

## Interim TPA Arrangements for Newly Eligible Customers: Part Paper

### 1. INTRODUCTION

The purpose of this document is to describe how Third Party Access (“TPA”) arrangements have been designed in order to facilitate the Change of Supplier by Shipper (CoS) process for Newly Eligible Customers<sup>1</sup> (“NEC”) in the natural gas market from October 2002. These principles facilitate NECs to change their Natural Gas Supplier until the implementation of a Distribution Code of Operations (“DCOP”). The DCOP will provide for obligations and rights to industry participants involved in Shipping and Transportation of Natural Gas through a distribution network zone.

### 2. IMPLEMENTATION

This document has the effect of giving Bord Gáis Éireann Energy Supply (‘Bord Gáis-ES’) a derogation to continue, for a limited period, to operate NECs under non-TPA arrangements as defined in the Bord Gáis-Transmission Code of Operations while providing for the process for the effective functioning of TPA for NECs, whereby NECs currently operating under non-TPA arrangements may transition to the new set of arrangements described below as directed by the CER. The DCOP will be consulted upon separately in order to enable industry participants to respond with their views and contribute to the design of more enduring processes for market opening and the Change of Supplier process. This effectively commences the process for NECs and the new TPA levels.

### 3. CUSTOMER TYPE CLASSIFICATION

TPA customers i.e. the NECs referred to above, are classified as follows:

<b>Type</b>	<b>Consumption</b>
Very large	>135 mscm <sup>2</sup> (1,500,000,000 kWh)
Large	>25 mscm but <135 mscm (>260,000,000 kWh but <1,500,000,000 kWh)
Medium	>5 mscm but <25 mscm (>57,500,000 kWh but <260,000,000 kWh)
Small	>0.5 mscm but <5 mscm (>5,750,000 kWh but <57,500,000 kWh) and all gas-fired generation <0.5 mscm
Non TPA	All consumptions < 0.5 mscm (< 5,750,000 kWh)

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<sup>1</sup> NEC as defined in the Eligibility Criteria published on the CER website

## 4. OPERATIONAL

## ARRANGEMENTS

### 4.1. BORD GÁIS-ES Capacity Booking

Bord Gáis Energy Supply ('Bord Gáis-ES') has entered into a transportation arrangement with Bord Gáis Transmission Business Unit ('Bord Gáis<sup>2</sup>-Transmission') for the non-TPA and NEC sectors in aggregate<sup>3</sup>. Bord Gáis Transmission has developed a work programme to move NECs with a consumption threshold greater than 5 mscm from this arrangement into a transitional arrangement to last until September 30<sup>th</sup> 2003.

The level of capacity attributable to an individual NEC booked as part of the aggregate Bord Gáis-ES non-TPA and NEC capacity booking needs to be determined as part of the process of moving into the transitional arrangement. The Transportation section of Bord Gáis analyses historic consumption data to facilitate the determination of an appropriate level of capacity for each individual NEC based upon peak day demand during a normal gas year. This level of capacity is agreed between Bord Gáis-ES and the Transporter and subject to CER approval. Any disputes may be referred to the CER for resolution. The agreed level of capacity is subtracted from the aggregate Bord Gáis-ES non-TPA and NEC capacity booking, and is reallocated to a series of NEC point-to-point Standard Transportation Agreement (STA) contracts ('NEC STA') with Bord Gáis-ES<sup>4</sup>.

This process has been incorporated into a work programme commencing on 1<sup>st</sup> January 2003 and will continue until the earliest of:

1. NEC STA's have been established for all NEC's down to an estimated annual consumption level no less than 5 mscm (as determined by the GPRO<sup>5</sup>); or
2. 30<sup>th</sup> September 2003, i.e. the end of the current Gas Year; or
3. The introduction of the DCOP whereupon NEC's not already being managed under NEC STA's may be required to transition across to a different set of operational arrangements.

Bord Gáis-ES will continue to make aggregate nominations for all customers above the 0.5 mscm threshold but below 5 mscm, as part of the non-TPA arrangements unless the customer indicates otherwise.

The work programme developed by Bord Gáis Transmission targets the largest NEC's first, and identifies dates on which Shippers to Transmission and Distribution pipeline system connected NEC's are required to individually daily nominate under NEC STA's. The NEC STA is based on the STA already in use for existing TPA Shippers with the addition of a clause for Bord Gáis-ES<sup>4</sup> which gives them the option to relinquish capacity reserved under this agreement upon the completion of a CoS process for an NEC.

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<sup>2</sup> mscm – million standard cubic meters

<sup>3</sup> Bord Gáis-ES have booked capacity for both the non-TPA and NEC sectors in aggregate as well as the TPA sector per operational arrangements defined in the Transmission Code of Operations.

<sup>4</sup> As Bord Gáis Transmission and Bord Gáis-ES are different business units within the same legal entity the STA will take the legal form of a Service Level Agreement ('SLA').

<sup>5</sup> GPRO – Gas Point Registration Operator, a function established by Bord Gáis to assist in the administration of the Change of Shipper by Shipper process.

## 4.2. NEC 'Switching'

The Transporter will facilitate an NEC request for TPA prior to the date scheduled in the work programme and in respect of all NECs as defined by the GPRO. This takes the form of a CoS request for an NEC being submitted to the Transporter via the GPRO. Upon being implemented the Transporter gives notice to Bord Gáis-ES who have the option to relinquish an appropriate level of capacity reserved under the aggregate Bord Gáis-ES non-TPA and NEC capacity booking<sup>6</sup>. The new Shipper will enter into an NEC STA for the balance of the Gas Year, i.e. for expiry 30<sup>th</sup> September 2003.

In the event that an NEC has already been moved across to an NEC STA with Bord Gáis-ES per the original work programme, but the NEC wishes to switch Shipper then the Transporter will facilitate them also. Upon the Transporter implementing a CoS request, Bord Gáis-ES will be notified of the option to relinquish capacity reserved under the NEC STA, and the new Shipper will enter into a 'new' NEC STA for the balance of the Gas Year, i.e. for expiry 30<sup>th</sup> September 2003.

In either of the above 'switching' scenarios, in the event of a mismatch between the capacity relinquished by Bord Gáis-ES and the capacity requested by the new Shipper the Transporter may refer such mismatch to the CER who will make a determination regarding this capacity<sup>7</sup>.

The above arrangements for booking capacity will expire on 30<sup>th</sup> September 2003 whereupon Shippers may put new arrangements in place for the following gas year.

## 4.3. Overrun Charges

Overrun charges will not ordinarily be levied on NEC STA contracts. However, if an overrun occurs on any day during the period of the NEC STA then the level of Reserved Capacity used for the purposes of determining capacity charges is retrospectively increased to the level of the overrun for the entire period of the contract. Adjustments are made to monthly billing to facilitate this charge.

In the event of 'switching' – as defined above 4.2. NEC 'Switching' – a new Shipper will be required to book a level of capacity based upon estimated peak day demand for that NEC during a normal gas year. If in the view of the Transporter the level requested by the new Shipper is insufficient the matter will be referred to the CER for resolution. If the level of capacity finally booked by the new Shipper is lower than that relinquished by Bord Gáis-ES, full overrun charges will be applied per Section 2.7. of the Transmission Code of Operations. In the event that overrun charges are applied, the level of overrun will be calculated after Capacity Transfers<sup>8</sup> are taken into account.

## 4.4. Nominations and Balancing

Upon an NEC STA being established a Shipper is required to nominate individually for each NEC.

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<sup>6</sup> Level of capacity is determined on the same basis as that described above in 4.1. Bord Gáis-ES Capacity Booking.

<sup>7</sup> They may also be subject to overrun charges – see below 4.3. Overrun Charges.

<sup>8</sup> Capacity Transfers as defined in Section 2.4 of the Transmission Code of Operations

Balance tolerances for the purpose of applying 2<sup>nd</sup> Tier Imbalances per the Code are:

<b>Type</b>	<b>Consumption</b>	<b>Tolerance</b>
Very large	>135 mscm	+/-3%
Large	> 25 mscm but < 135 mscm	+/-8%
Medium	>5 mscm but < 25 mscm	+/-20%
Small	>0.5 mscm but < 5 mscm	N/A
Non TPA	All consumptions < 0.5 mscm	N/A

A Code Modification is required to facilitate the above capacity booking, nomination, balancing and other operational arrangements required to facilitate the transition of the NEC's to a TPA operational framework.

NEC's below the 5 mscm, or 57,500,000 kWh have the option to either:

1. Remain within the Bord Gáis-ES non-TPA and NEC capacity booking arrangements for the remainder of the current Gas Year; or
2. Request Bord Gáis-ES (or another Shipper) to execute an NEC STA on their behalf based on the terms described above for NEC's above the 5 mscm level, i.e. commence the process outlined in 4.1 with regard to determination of capacity reservation and transfer of capacity from Bord Gáis-ES. In the event that a Shipper has a number of NECs in this category then they will be permitted to aggregate nominations for balancing and overrun purposes.

#### **4.5. Distribution Customers**

The process and arrangements outlined above apply to both Transmission and Distribution pipeline system connected NECs, however the capacity arrangements described above relate to Transmission capacity only. Distribution Customers<sup>9</sup> will also be subject to the following additional arrangements:

1. A separate exit capacity will be registered for each NEC site, (the Supply Point Capacity), and the level will set out in each NEC STA.
2. The Transportation section of Bord Gáis will analyse historic consumption data to facilitate the determination of an appropriate level of Supply Point Capacity for each individual NEC Site based upon peak day demand during a normal gas year. This level of capacity will be assessed by the Transporter and Bord Gáis-ES and any disputes will be referred to the CER for resolution.
3. A separate overrun mechanism (from that set out in section 4.3 above) will be used in respect of Supply Point Capacity. In the event of an overrun occurring on Supply Point Capacity, the related charges<sup>10</sup> will be retrospectively increased to the level of the overrun for the entire period of the contract. Adjustments will be made to monthly billing to facilitate this charge.

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<sup>9</sup> As defined by the GPRO.

<sup>10</sup> See below 5. Charging for Transportation Services

4. If a 'CoS' occurs during the Gas Year, ending 30<sup>th</sup> September 2003, the level of Supply Point Capacity registered in the 'new' NEC STA will be the level determined in 2 above, plus any overrun that may have arisen during the year (i.e. the peak day quantity if the Supply Point Capacity was exceeded).
5. Supply Point Capacity cannot be transferred, neither can Transmission Capacity be substituted for Supply Point Capacity.

A modified form of the STA already in use takes the above into consideration.

## **5. CHARGING FOR TRANSPORTATION SERVICES**

Transmission and Distribution pipeline system connected NECs are liable to pay the Transmission Tariff based on the level of capacity booked in an NEC STA in accordance with the 'Direction to Bord Gáis Éireann Relating to Natural Gas Transmission Tariffs for the Gas Year 2002/03', dated 27<sup>th</sup> September 2002.

Distribution pipeline system connected NECs are liable to pay the Distribution Tariff based on the level of Supply Point Capacity registered in an NEC STA, in accordance with the 'CER Direction to Bord Gáis Éireann for Interim Natural Gas Distribution Tariffs for 2002/03', dated 27<sup>th</sup> September 2002.